

REMARKS

Reconsideration and allowance of the subject application are respectfully requested.

In recent telephone interviews with the Examiner and SPE Kalinowski, Applicants requested that the finality of the office action be withdrawn. On April 8, 2008, Applicants' request to have the finality of the office action withdrawn was granted.

Claims 1-5 and 7-10 stand rejected under 35 USC §103 as being unpatentable over Narayan in view of Roberts and newly-applied Mosler. This rejection is respectfully traversed.

In a telephone conference with the Examiner, the Examiner clarified that he was not relying on Roberts in the rejection, and that the primary rejection was based on Narayan and Mosler.

The claims in this case are directed to an automated trading apparatus for matching bids and offers for fixed income instruments entered by a number of traders. In the example embodiment shown in Figure 3, the automated exchange is designed to link the trading in bonds (a first type of fixed income instrument) with trading in stripped bonds (a second type of fixed income instrument). The system makes use of this link or relationship between bonds and stripped bonds to create or generate prices for a bond from a number of associated stripped bonds. In addition, the system may use the relationship between bonds and strip bonds to generate derived orders (sometimes referred to as "baits") in the stripped bond market using the existing prices on bonds. By linking the bond market and the stripped bond market in this fashion, increased liquidity is provided to both the bond and stripped bond markets thereby providing more trading opportunities.

Narayan discloses a trading system where a trader has the possibility to group instruments together into "security pools." A market participant can construct a pool of

securities, such as fixed income securities, based on different investment parameters and place orders for units of any security that matches the characteristics of the securities pool. Narayan is focused on “automatically or electronically searching a database of commodity parameters to locate particular commodities having the specified parameter.” See paragraph 0013. Although fixed income security instruments are identified, all that is described is that the specified parameter for such an instrument is “taken from a group including tax, status, redemption features, credit quality, coupon rate, payment schedule, and maturity.”

As admitted by the Examiner, Narayan fails to disclose deriving prices for a bond using information from stripped bonds. In an attempt to remedy this deficiency in Narayan, the Examiner turns to a new reference to Mosler.

Mosler relates to interest rate swaps (IRSs) where two parties agree to make payments to each other; the payments of the first and second parties define the type of swap. In an IRS, one of the party's payments are based on a fixed interest rate while the other party's payments are based on a floating interest rate. At col. 1, lines 38-40, Mosler explains: “The purpose of an IRS is often to insulate or protect (like buying an insurance policy) one of the parties from changing interest rates.” The example Mosler gives in Figure 1 is that a first dealer 2 agrees to pay a second dealer 8 interest payments that are based on a long term fixed rate. In exchange, the second dealer 8 agrees to pay the first dealer 2 interest payments that are based on a short term floating rate. Before entering into an IRS contract, the first dealer 2 and the second dealer 8 may try to value the price of the IRS. The IRS value is the difference between the net present value (NPV) of the two future income streams that are swapped by the first and second dealers. Because the floating interest rate varies in the future, the size of each future cash flow based on the floating interest rate is not known to either dealer. To solve this problem, the swap market

estimates the NPV of the fixed and floating interest rates from the International Swap Dealers Association (ISDA) Benchmark Swap Rates.

Regarding claim 1, neither reference discloses or suggests: “a data processing module for creating a new derived order in a bond orderbook for a bond derived from one or more orders placed in a stripped bond orderbook for stripped bonds associated with the bond in order to increase trade matching opportunities in the bond orderbook.” The office action focuses on determining prices for swap contracts in Mosler, but claim 1 is directed to creating new orders in a bond orderbook using strip bond orders in a strip bond orderbook.

To assist in understanding, but not for limitation, consider the following derived order example. Trader A wants to buy IBM and sell Google only under the condition that both orders are executed. A combination orderbook is created with the combination order being to buy IBM and sell Google. Trader B wants to sell IBM, and therefore inputs a sell order in an IBM order book. The system can now create a new implied order (a bait or derived order) based on Trader A's order in the "buy IBM and sell Google" orderbook and Trader B's sell order in the IBM orderbook. The implied order created is a buy order in the Google orderbook. Trader C then trades the bait order. The system will then “unwind the combination trade” thus matching Trader A's order in the "buy IBM and sell Google" combination order book against Trader B's sell order in the IBM order book and Trader C's order in the Google order book. In this way, new orders are generated that create more matching opportunities, and ultimately, increase liquidity. In claim 1, increased matching opportunities are created for the bond.

The Examiner states at the end of section 9 of the office action that “trading zero-coupon bonds or stripped bonds is analogous to trading bonds. Zero coupon bonds are a subset of coupon bonds.” It is not understood how these statements are relevant to what is recited in claim

1 where the relation between the zero coupon bonds and the bond is used to create a new derived order for the bond derived from multiple existing zero coupon bond orders in order to increase trade matching opportunities. Claim 1 does not use the zero coupon bonds to determine a price of the bond.

The Examiner further states in section 9 that it would have been obvious to expand Narayan's system to include deriving bond process from information related to stripped bonds. One would be motivated to do so to accurately match orders and provide the customer the required hedge or return on investment." The Examiner cites to Mosler column 22, lines 59-63. Applicants review of that text reveals nothing about "accurately match[ing] orders and provid[ing] the customer the required hedge or return on investment." Nor is there a teaching here of deriving a bond order from stripped bonds.

Regarding claims 2 and 7, the Examiner admits that Narayan fails to disclose "matching said bond order against a number of stripped bonds that aggregated forms a bond corresponding to said bond order." For this missing feature, the Examiner relies on Mosler at column 23, lines 20-23 and col. 25, lines 29-36. Here again the Examiner confuses matching with pricing a swap contract. Claim 2 recites matching a bond order to buy or sell a bond against a number of stripped bonds (which are different types of instruments from bonds) that when aggregated form a bond corresponding to the bond order. Accordingly, even if Narayan and Mosler could be combined, they fail to disclose "matching said bond order against a number of strip bonds that aggregated forms a bond corresponding to said bond order."

The Examiner opines in the last paragraph of section 10 of the office action that Mosler's column 22, lines 59-63 supports four motivations to "expand the system of Narayan to specifically incorporate various units of securities that match characteristics of the bond order

and the available securities within the system.” First, this generalized expansion does not result in what is specifically recited in claims 2 and 7. Second, Mosler's column 22, lines 59-63 describes how to price an IRS by creating a yield curve using different contracts listed against separate bonds with maturities at various points on the yield curve. There is no teaching of the motivations offered up by the Examiner. Third, this paragraph fails to disclose or suggest “matching said bond order against a number of stripped bonds that aggregated forms a bond corresponding to said bond order.”

New dependent claims 12 and 13 are also missing from Narayan and Mosler. Claim 12 for example recites: “storing in a bond orderbook the bond order received from a trader to buy or sell a bond, and aggregating the number of stripped bonds in a stripped bond orderbook in response to the bond order, wherein the matching includes matching the bond order with the aggregated number of stripped bonds which form the bond corresponding to the bond order.”

Nor is it seen where the features of dependent claims 4 and 9 are described in Narayan and Mosler. The Examiner refers to Mosler, column 24, lines 28-34, where the following is stated: “The daily settlement could be based on either traded prices as conventionally done in other contracts, or on a model price....” The Examiner misinterprets these claims which describe that when a bond order is received, a check is made if there is a matching opportunity by combining orders in bond strip orderbooks that constitute the bond. Neither reference checks to make sure before such a match is made that there is a “current price for all required stripped bonds” in the aggregate number.

Claims 5, 6, 10, and 11 stand rejected under 35 USC 103 as being obvious based upon Narayan in view of Mosler and further in view of Halpern. This rejection is respectfully traversed.

Halpern describes creating investment structures to help satisfy a particular investor's needs. An initial investment structure is created by splitting an initial funding amount into a predetermined number of portions spread out over a predetermined number of initial investment terms. Each portion is divided between the primary and secondary term investment vehicles for each term. The sum of the values for the primary and secondary term investment vehicles at the end of the term equals the portion for that term. See paragraph 0016. In the example given in paragraphs 0020-0022, bonds and strips are invested in a staggered five year manner so that after maturity of the initial bond in five years, $1/5^{\text{th}}$ of the pool of coupon bonds and strips mature each year over all following five year periods. As each combination of coupon bonds and strips matures, the maturity is reinvested to buy coupon bonds and strips with a maturity date in five years.

Halpern fails to overcome the deficiencies of Narayan and Mosler with respect to claims 5, 9, 10, and 11.


The application is in condition for allowance. An early notice of same is respectfully requested.

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Appl. No. 10/616,224
April 24, 2008

Respectfully submitted,

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